

# Chair's Statement

## Annual Chair's Statement for the Visa Europe Pension Plan

From 6 April 2015, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Regulations") introduced greater governance standards on trustees of Defined Contribution (DC) schemes, including defined benefit schemes with Additional Voluntary Contribution (AVC) arrangements where the AVCs are not the only money purchase benefits<sup>1</sup>.

This statement sets out how the Visa Europe Pension Plan (the "Plan") has met these governance standards over the Plan year which ran from **1 October 2019 to 30 September 2020**. It covers governance and charge disclosures in relation to the following:

1. The default arrangement;
2. Processing of core financial transactions;
3. Member borne charges and transaction costs;
4. Assessing value for members; and
5. Trustee knowledge and understanding.

The Trustee believes that good governance is key to delivering better outcomes for Plan members. The Trustee is committed to having high governance standards and regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice.

Overall, the Trustee is confident that the greater governance standards, as they apply, are being met, and in many areas exceeded, in the interests of members.

**Signed by the Chair of Trustee on 27 April 2021 on behalf of the Trustee of the Visa Europe Pension Plan.**

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<sup>1</sup>Other types of schemes as defined by the Regulator which exemptions apply are relevant small schemes, executive pension schemes, public service pension schemes, schemes which are not tax registered, provide only death benefits, or is not established in the UK and has no trustees resident in the UK and single member schemes.

## 1. The Default Arrangement

The Plan is used as a Qualifying Scheme for auto-enrolment purposes and offers members three lifestyle arrangements:

- Options Open Lifestyle;
- Lump Sum Withdrawal Lifestyle; and,
- Annuity Purchase Lifestyle.

Members who join the Plan and do not make an active investment choice for their contributions are placed into the default investment arrangement. The Trustee has chosen the Options Open Lifestyle as the default investment arrangement for the Plan.

The Options Open Lifestyle's pre-retirement investment mix represents the most neutral option where the member has not made a specific choice to align their Member Account to either cash or annuity purchase. The Trustee therefore views it as being the most appropriate arrangement for the majority of members who have not made an active decision as to how they will take their benefits at retirement.

The Options Open Lifestyle initially invests in higher risk assets such as equity and property to give members exposure to high growth potential and gradually shifts into lower risk assets. The Options Open Lifestyle is composed of:

- A growth phase including two white labelled funds: Visa Global Equity Fund (90%) and Visa Property Fund (10%) comprised of a range of passive and active underlying funds; and
- A de-risking phase beginning 15 years prior to a member's selected retirement age, during which a member's funds gradually transition into lower investment risk assets. The aim is to provide some protection to members' accumulated savings.

In 2020, investments into and redemptions from the Plan's Visa Property Fund and the LGIM Managed Property Fund were temporarily suspended as a result of the impact of the COVID-19 pandemic and the consequent restriction of access to properties to carry out inspections and valuations. During this period members' contributions were temporarily re-directed to the BlackRock Sterling Liquidity Fund instead of those property funds. Consequently, the BlackRock Sterling Liquidity Fund is now considered a deemed default arrangement for regulatory reporting and monitoring purposes. The Trustee selected the BlackRock Sterling Liquidity Fund as it was considered the most appropriate investment option in which to temporarily invest member contributions; the BlackRock Sterling Liquidity Fund has historically experienced low levels of volatility, provided sufficient liquidity and offered the lowest member charge of all funds available.

In October 2020, the Visa Property and the LGIM Managed Property Funds' suspensions were lifted. Contributions made post this date, as well as any contributions temporarily invested in the BlackRock Sterling Liquidity Fund, have since been redirected back into the intended Property Fund.

Details of the Trustee's policies and objectives regarding the default arrangements and other lifestyle strategies and freestyle funds can be found in the Plan's latest 'Statement of Investment Principles' ('SIP') dated 23 September 2020. The Plan's SIP is appended to this statement and can also be viewed via this [website](#) under UK Pension Schemes.

### Investment Strategy Review

A review of the Plan's investment strategy (including the default arrangement) is undertaken at least triennially to ensure it remains appropriate. The last triennial review was finalised on the 7 February 2018 and implemented on 13 September 2018. Work on the current investment strategy review commenced on 23 September 2020, with a view to completing over 2021.

As part of the 2018 review the Trustee discussed its objectives for the investment strategy and considered in-depth analysis of the Plan's membership profile (age, salary, contribution level, accumulated fund values, projected fund value and term to retirement) to assess the impact of the strategy on different groups of members.

During each investment review, the Trustee considers the strategic asset allocation, length of decumulation phase and At Retirement asset allocations of the investment lifestyles, including the Options Open Lifestyle default arrangement. The Trustee also reviews the self-select fund range in order to assess the ongoing appropriateness of the existing funds, monitor developments in the market since the last review and identify any gaps and potential enhancements.

As part of the review currently underway the Trustee will also consider its role as a steward of capital and how best it can support responsible investing. As the investment strategy review is in progress, a more detailed update of the completed strategy review will be shared in the Chair's Statement covering the period to 30 September 2021.

### **Ongoing Monitoring**

In addition to the regular reviews of its investment strategy, the Trustee, with support from its investment advisers, carries out regular investment monitoring. The performance of all funds, including those used within the default arrangement, is reviewed on a quarterly basis. This review includes an assessment of fund performance against stated benchmarks and performance targets over both short and longer-term periods, as well as utilising a red-amber-green rating system to help flag any areas of concern. The Plan's actively managed multi-asset fund is also reviewed against its peer group on a quarterly basis.

The Trustee also worked with its investment advisor to undertake more frequent monitoring of the investment strategy in light of the COVID-19 pandemic to identify any investment related issues and respond more quickly. This included a monthly performance review of the funds used within the Plan, including the overall performance of each lifestyle arrangement and a detailed market update. This fed into the Trustee's decision to suspend the Visa Property Fund.

## **2. Processing of Core Financial Transactions**

The Trustee has a legal duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Plan, transfers between different investments within the Plan and payments to and in respect of members/beneficiaries) are processed promptly and accurately. The Trustee has appointed Buck to provide administration services and has delegated responsibility for processing these transactions to them.

The Trustee is satisfied that the requisite standards of promptness and accuracy have been met, including where functions have been delegated to Buck.

To enable the Trustee to monitor the processing of core financial transactions, Buck provide quarterly administration reports covering key aspects of the administration including special projects, member statistics, contribution monitoring, a schedule of transactions and performance against the service levels agreed between the Trustee and Buck. The administration reports are reviewed by the Trustee at quarterly meetings to monitor compliance and there is regular contact with Buck to ensure any issues are dealt with on a timely basis.

The service level agreement in place with Buck covers various time critical processes, including contributions, fund value quotation, investment switches and member events (such as retirements and transfers). The turnaround times set out within the service level agreement depend on the criticality of the activity, ranging from five business days for time critical processes such as investment switches to 15 business days for more complex member enquiries. Performance against service level agreements was consistently above 98% throughout the Plan year.

Buck have confirmed that there are processes in place for each core financial transaction to ensure that all Plan transactions are processed in a timely and accurate manner. Key processes include:

- monthly contribution checks and daily monitoring of the Trustee bank account;
- provision of quarterly administration reports – enabling the Trustee to check core financial transactions and review processes relative to any member complaints made;

- explicit tracking of all core financial transactions through Buck's Work Management System, ensuring that all core financial transactions are completed in a timely manner; and
- strict peer review processes for all cases, including core financial transactions.

The Trustee is satisfied that over the Plan year:

- Buck were operating appropriate procedures, checks and controls and operating within the agreed service level agreements;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately.

#### AVC arrangements

The Plan held legacy AVC policies with Aviva, Scottish Widows, Zurich and Utmost Life and Pensions<sup>2</sup>. These arrangements were closed to new members and are only available to members of the Defined Benefit section of the Plan. The majority of the AVC policies were transferred into the core DC arrangement in February 2020. Members in the Zurich arrangement with investments in the With Profits Fund did not have their assets transferred due to potentially valuable guarantees associated with the Fund. Therefore, a small amount of assets remains within the Zurich AVC policy.

Prior to closure, the Aviva and Scottish Widows arrangements were administered by Buck and as above, the Trustee considers that there were sufficient processes in place to ensure that core financial transactions were processed promptly and accurately.

Utmost Life and Pensions have confirmed that they have a set of service level standards in place across all of their policies, including those previously held by the Plan until February 2020. Utmost aim to reply to most requests within 10 working days, and for financial transactions specifically as quickly as possible and within 5 working days. The Trustee received statements from Utmost on their business continuity and disaster recovery plan. From the information received, the Trustee was satisfied that the processes and audit procedures in place ensured that all core transactions relating to the AVC arrangements were processed in an accurate and timely manner.

The Trustee has requested specific information relating to core financial transactions from Zurich. At the time of writing, the requested information was still awaited from Zurich. The Trustee, along with its advisers, continues to request information relating to the core financial transactions and will take any follow up action necessary to ensure that the Trustee is satisfied with processes in place.

### **3. Member Borne Charges and Transaction costs**

The Trustee is required to monitor the costs associated with the Plan which are paid by the members and to assess whether these represent good value for members.

These costs comprise of charges and transaction costs.

- (i) **Charges**, such as the Annual Management Charge ("AMC" – the annual fee charged by the investment manager for investing in a fund), as well as additional expenses together comprise the Total Expense Ratio ("TER"), which is the amount deducted as a percentage of members' funds as an explicit charge.

The TER information is readily available via the member portal.

- (ii) **Transaction costs** are costs which are incurred within the day to day management of the assets by the fund manager. This covers such things as the cost of buying and selling securities

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<sup>2</sup> As of 1 January 2020, policies held with Equitable Life were transferred to Utmost Life and Pensions.

within the fund. Transaction costs are incurred on an on-going basis and are implicit within the performance of the fund.

Transaction costs are largely the result of buying and selling investments within a fund, therefore actively managed funds with a high turnover of holdings, or those invested in less liquid assets (such as the Aviva Property Fund) will usually have higher transaction costs than passively managed funds (such as the BlackRock Aquila MSCI World Index Fund) that invest in more liquid assets.

As defined by the Financial Conduct Authority ("FCA"), explicit transaction costs are the costs that are directly charged to or paid by the fund and may include taxes and levies (such as stamp duty), broker commissions (fees charged by the executing broker to buy and sell investments) and costs of borrowing or lending securities.

Implicit transaction costs are calculated as the difference between the actual price paid (execution price) and the quoted 'mid-market price' at the time the order was placed (arrival price). This method, although reasonable if observed over a long period of time, can result in a volatile measure from one year to another and can even result in a profit, known as 'negative costs'. This can happen, for example when buying an asset, if the actual price paid ends up being lower than the mid-market price at the time of placing the order.

The transaction costs have been calculated by the providers using the method prescribed by the FCA. The FCA no longer requires the Trustee to report negative transaction costs to avoid potentially misleading members. Where transaction costs have been provided as a negative cost, these have been set to zero by the Trustee in line with FCA guidance.

The Trustee is reliant on underlying investment managers to provide transaction cost data and has previously experienced some difficulty in accessing this information on a timely basis from the Plan's AVC providers. However, the Trustee can confirm that it has received everything requested as at 30 September 2020.

Over the reporting period, the Options Open Lifestyle (the default arrangement) levied a TER ranging from 0.303% p.a. to 0.362% p.a. depending on the member's period to retirement. Importantly, the TER range for the default arrangement was below the charge cap set by the Regulations of 0.75% p.a.

The Plan also offers a range of 22 self-select funds and two further Lifestyle arrangements which may be chosen by members as an alternative to the default arrangement. A full breakdown of the TERs and transaction costs applicable to the investment options available to members over the period until 30 September 2020 are listed in the table below.

Fund		TER (p.a.)	Transaction Costs (p.a.)	Total Costs (p.a.)
<b>Lifestyle arrangements</b>				
Options Open Lifestyle ( <i>primary default arrangement</i> )		0.303% - 0.362%	0.041% - 0.056%	0.347% - 0.418%
Annuity Purchase Lifestyle		0.110% - 0.362%	0.011% - 0.056%	0.121% - 0.418%
Lump Sum Withdrawal Lifestyle		0.136% - 0.362%	0.003% - 0.056%	0.138% - 0.418%
<b>Freestyle funds</b>				
Blended Funds	Visa Global Equity Fund	0.274%	0.040%	0.314%
	Visa Property Fund	0.656%	0.046%	0.702%
Active Equity Funds	JPM UK Specialist Equity	0.444%	0.078%	0.522%
	Schroder Global Emerging Market Equity	1.170%	0.154%	1.324%
	Schroder Global Equity	0.624%	0.195%	0.819%
	MFS Global Equity	0.744%	0.065%	0.809%

Fund		TER (p.a.)	Transaction Costs (p.a.)	Total Costs (p.a.)
Passive Equity Funds	BlackRock Aquila World ex-UK Equity Index	0.114%	0.000%	0.114%
	LGIM UK Equity Index	0.120%	0.000%	0.120%
	LGIM Ethical Global Equity Index	0.294%	0.005%	0.299%
	BlackRock Aquila MSCI World Index	0.124%	0.000%	0.124%
	HSBC Islamic Fund	0.390%	0.041%	0.431%
Active Gilt and Bond Funds	Threadneedle Long Dated Gilt	0.320%	0.075%	0.395%
	Threadneedle UK Corporate Bond	0.344%	0.035%	0.379%
	LGIM Pre-Retirement	0.144%	0.000%	0.144%
Passive Gilt and Bond Funds	BlackRock Aquila Life Over 15 Year UK Gilt Index	0.108%	0.000%	0.108%
	BlackRock Aquila Life Over 5 Year Index-Linked Gilt Index	0.108%	0.000%	0.108%
	BlackRock Aquila Life Up To 5 Year Index-Linked Gilt Index	0.115%	0.042%	0.157%
	BlackRock Aquila Corporate Bonds All stocks	0.131%	0.000%	0.131%
Multi-Asset	Insight Broad Opportunities	0.754%	0.150%	0.904%
Active Balanced Fund	Threadneedle Managed Equity Focused	0.285%	0.268%	0.553%
Cash	BlackRock Sterling Liquidity ( <i>secondary default</i> )	0.110%	0.011%	0.121%
Property	LGIM Managed Property	0.814%	0.000%	0.814%

Source: Scottish Widows as at 30 September 2020. AVC members were invested from February 2020.

### Legacy Funds

Separately, some members remain invested in the Aviva Property Fund. This is a legacy arrangement and is closed to new members and new contributions.

Fund	TER (p.a.)	Transaction Costs (p.a.)	Total costs (p.a.)
Aviva Property Fund	0.570%	0.264%	0.834%

Source: Scottish Widows as at 30 September 2020.

### DB AVC Arrangements

There was a range of AVC arrangements in place with Utmost Life and Pensions (previously Equitable Life), Aviva and Scottish Widows until February 2020. The Zurich arrangement remains in place for members with existing investments in the With Profits Fund. The Trustee, along with its investment advisor, requested part year figures from Utmost Life and Pensions, Aviva and Scottish Widows – all three providers confirmed that bespoke reports could not be made available.

The Equitable Life arrangement which only included the With Profits Fund was transferred to Utmost Life and Pensions on 1 January 2020. Members' assets invested in the With Profits Fund were transferred to the Secure Cash Fund with Utmost Life and Pensions before being transferred to the core DC arrangement in February 2020. Charges on the investment options both before and after the transition are shown in the table below.

Where transaction costs have been provided, they represent costs for the full Plan year to 30 September 2020.

Provider	Fund	TER (p.a.) <sup>1</sup>	Transaction Costs (p.a.)	Total costs (p.a.)
Zurich <sup>1</sup>	Aquila UK Equity Index	0.560%	0.000%	0.560%
	Equity Managed Fund	0.740%	0.269%	1.009%
	Managed Fund	0.730%	0.243%	0.973%
	UK Equity Fund	0.760%	0.165%	0.925%
	With Profits Fund	0.700%	0.041%	0.741%
Equitable Life <sup>2</sup>	With Profits Fund	1.000%	1.039%	2.039%
Utmost Life and Pensions <sup>3</sup>	Secure Cash Fund	0.500%	0.070%	0.570%
Aviva <sup>3</sup>	Balanced Managed Fund	1.320%	0.005%	1.325%
Scottish Widows <sup>3</sup>	Managed Fund	0.402%	0.510%	0.912%
	Cash Fund	0.200%	0.010%	0.210%

Source: Zurich, Utmost Life and Pensions, Aviva and Scottish Widows.

1. The Total Expense Ratio (TER) and Transaction Costs for the Funds in the Zurich policy are as at 30 September 2020.
2. As of 1 January 2020, the With Profits Fund was converted to a unit linked policy on transfer of Equitable Life's business to Utmost Life and Pensions. The TER and Transaction Costs values are as at 31 December 2019.
3. The TERs are as at 31 March 2020, which reflect the charges just after the point the AVC policies were transferred to the DC arrangement.

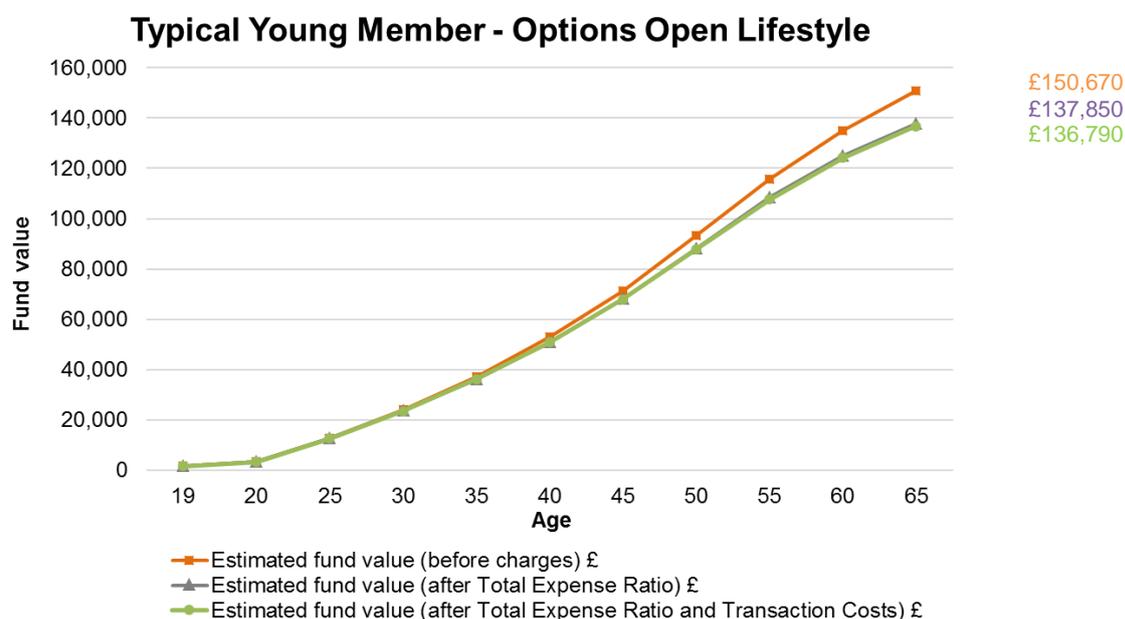
The Trustee has produced the following illustrations to demonstrate the effect of the above costs and charges for investment strategies representative of the Plan's membership. The illustrations have been prepared having regard to statutory guidance, selecting suitable representative members, and require return assumptions which have been set out on page 10.

The majority of members invest in the Options Open Lifestyle strategy. As a reminder, this strategy automatically transitions members' funds from global equities and property in the earlier years, switching into a multi-asset fund, corporate bonds, index-linked gilts and cash as members approach retirement age.

To illustrate the effect of different investment returns, costs and charges, the Trustee has also produced illustrations for the Schroder's Global Emerging Markets Fund and the BlackRock Sterling Liquidity Fund (secondary default) for comparison.

## Typical Young Active Member

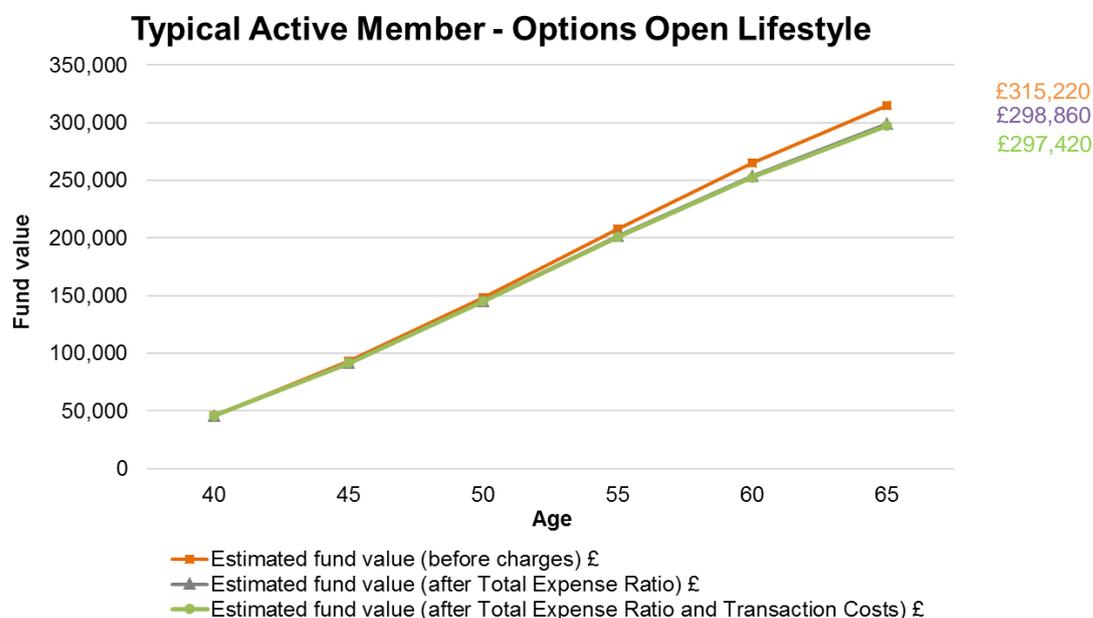
For a typical young active member invested in the Options Open Lifestyle, BlackRock Sterling Liquidity Fund and the Schroder's Global Emerging Markets Fund, the estimated impact of charges on accumulated fund values is illustrated below. The amounts shown relate to a member aged 19, current fund value of £1,500, salary of £18,500, ongoing contributions of 9% of salary and a Retirement Age of 65.



Age	BlackRock Sterling Liquidity Fund			Options Open Lifestyle			Schroders Global Emerging Markets Equity Fund		
	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
19	1,500	1,500	0	1,500	1,500	0	1,500	1,500	0
20	3,090	3,090	0	3,220	3,210	10	3,260	3,230	30
25	10,570	10,520	50	12,740	12,600	140	13,460	12,920	540
30	17,270	17,150	120	23,980	23,510	470	26,470	24,590	1,880
35	23,290	23,060	230	37,240	36,170	1,070	43,050	38,630	4,420
40	28,690	28,330	360	52,890	50,870	2,020	64,180	55,530	8,650
45	33,530	33,020	510	71,350	67,950	3,400	91,120	75,870	15,250
50	37,880	37,210	670	93,130	87,790	5,340	125,470	100,360	25,110
55	41,780	40,940	840	115,630	107,710	7,920	169,260	129,830	39,430
60	45,270	44,270	1,000	135,080	124,150	10,930	225,070	165,300	59,770
65	48,410	47,230	1,180	150,670	136,790	13,880	296,230	208,000	88,230

### Typical Active Member

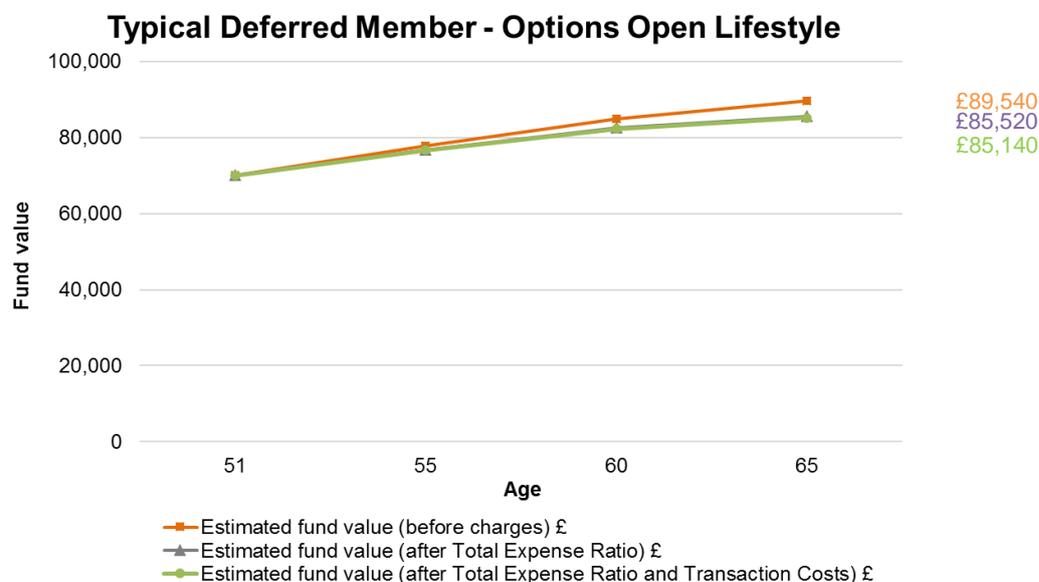
For a typical active member invested in the Options Open Lifestyle, BlackRock Sterling Liquidity Fund and the Schroder's Global Emerging Markets Fund, the estimated impact of charges on accumulated fund values is shown below. The amounts shown relate to a member aged 40, current fund value of £46,000, salary of £80,000, ongoing contributions of 9% of salary and a Retirement Age of 65.



Age	BlackRock Sterling Liquidity Fund			Options Open Lifestyle			Schroders Global Emerging Markets Equity Fund		
	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
40	46,000	46,000	0	46,000	46,000	0	46,000	46,000	0
45	74,970	74,600	370	92,950	91,780	1,170	98,880	94,430	4,450
50	100,960	100,100	860	148,350	144,940	3,410	166,300	152,730	13,570
55	124,270	122,840	1,430	208,130	201,060	7,070	252,240	222,890	29,350
60	145,190	143,110	2,080	264,810	252,660	12,150	361,800	307,350	54,450
65	163,960	161,180	2,780	315,220	297,420	17,800	501,460	409,000	92,460

## Typical Deferred Member

For a deferred member invested in the Options Open Lifestyle, BlackRock Sterling Liquidity Fund and the Schroder's Global Emerging Markets Fund, the estimated impact of charges on accumulated fund values is shown overleaf. The amounts shown relate to a member aged 51, current fund value of £70,000 and a Retirement Age of 65.



Age	BlackRock Sterling Liquidity Fund			Options Open Lifestyle			Schroders Global Emerging Markets Equity Fund		
	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £	Est. fund value (before charges) £	Est. fund value (after charges) £	Effect of charges £
51	70,000	70,000	0	70,000	70,000	0	70,000	70,000	0
55	64,180	63,860	320	76,630	76,610	1,070	85,010	81,190	3,820
60	57,580	56,930	650	85,000	82,280	2,720	108,370	97,720	10,650
65	51,660	50,760	900	89,540	85,140	4,400	138,150	117,620	20,530

The following assumptions have been made for the purposes of the above illustrations:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. Salary growth is assumed to be in line with inflation.
4. Values shown are estimates and are not guaranteed.
5. The assumed growth rates (gross of costs and charges) are as follows:
  - Visa Global Equity Fund 6.0% p.a.
  - Visa Property Fund 5.5% p.a.
  - Insight Broad Opportunities 4.0% p.a.
  - BlackRock Sterling Liquidity Fund 0.3% p.a.
  - BlackRock Aquila Corporate Bond All Stocks Index 1.0% p.a.
  - LGIM Pre-Retirement Fund 0.9%
  - BlackRock Aquila Over 5 Year Index-Linked Gilts -0.1%

- *BlackRock Aquila Up to 5 Year Index-Linked Gilts -0.2%*
  - *Schroder Global Emerging Market Equity 7.6%*
6. *Contributions are assumed from current age to 65 and increase in line with assumed earnings inflation of 2.5% each year.*
  7. *The transaction costs have been averaged over a 3-year period in line with statutory guidance to reduce the level of volatility, and a floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.*

#### **4. Value for Members assessment**

The Trustee is also required to assess the costs and charges borne by members and the extent to which those costs and charges represent good value for money for members.

In conjunction with their DC investment advisers, the Trustee has established a cost-benefit analysis framework to assess whether the member borne charges deliver good value for members. The cost part of the analysis considers the costs and charges members pay. The benefit side of the analysis considers areas where the Trustee believes there is a benefit derived by members. These benefits can be financial or non-financial in nature. The framework also considers market comparisons using various data, accreditations and other publicly available information. For example, the Pensions Quality Mark Standards, Aon DC surveys and Plan awards.

The Trustee has identified the following benefits:

- Quality of communications
  - The Plan provides members with clear, regular communications, benefit statements and 'at retirement' communications.
  - In addition to this, members also receive regular newsletters issued by the Company on pension related issues.
  - The Trustee notifies members of changes to the Plan's investment options. For example, members invested in the Visa Property Fund and LGIM property Fund were notified promptly of the temporary suspension and the investment options available to them.
  - Members also have access to the Buck member portal which allows members to:
    - view their transaction and contribution history;
    - make changes to their investment choices;
    - access their previous benefit statements;
    - view performance and fees for all funds included within the Plan;
    - view important documentation for example the Member Handbook and Investment Guide; and
    - access educational information including retirement planning and modelling tools.
- Quality of investment choices
  - The Plan provides members with an appropriate range of lifestyle and freestyle fund options covering a range of risk-profiles and asset classes. The range of investment choices has been designed with advice from the Plan's DC investment adviser and takes into account the membership profile and the potential objectives members may have.
  - The performance of the investment options is monitored on a quarterly basis by the Trustee to ensure the funds continue to meet their performance objectives. This monitoring includes a red-amber-green rating system to assist the Trustee in identifying any areas of concern as soon as possible and agree appropriate courses of action.
  - During the extreme periods of market volatility caused by the coronavirus pandemic, the Trustee moved to monthly monitoring reports to ensure closer monitoring of the Plan.

- Quality of administration
  - The Trustee monitors the Plan's administration on a quarterly basis and over the Plan year found that the necessary administration standards were being achieved. In addition to this, the Trustee often meets with the administrator to ensure ongoing adherence to the standards set.
  - There is also a dedicated Administration and Governance Sub Committee that meets regularly to monitor the controls and processes in respect of the Plan's administration.
- Quality of governance and management of the Plan
  - The Trustee regularly reviews and updates its governance processes and procedures to make sure these meet industry best practice.
  - The Trustee conducts an annual assessment against the DC Code of Practice to ensure it continues to adhere with best practice. As part of this assessment, actions are put in place to address any identified gaps.
  - The Chairman of the Trustee also carries out an annual assessment meeting with each individual Trustee to support ongoing evaluation.

Alongside these benefits, the costs and charges associated with the default arrangement are well below the charge cap of 0.75% per annum. The Trustee deems that the charges that apply to the alternative lifestyle strategies and self-select funds in the DC arrangements are also of a reasonable level, with very few of the investment options having costs that exceed the charge cap. Given these charges, and the other benefits identified above, the Trustee has concluded that the costs and charges borne by members represent good value.

Following a review conducted in 2019, the Trustee believed that value could be enhanced for AVC members by transitioning from their existing arrangements with Utmost Life and Pensions, Aviva, Scottish Widows and Zurich (excluding members invested in the With Profits Fund), to the Scottish Widows DC fund range, and accessing the same terms as the Plan's DC members. The transition to the DC fund range was successfully completed in February 2020.

A small number of members did not have their assets transferred to the DC arrangement due to potentially valuable guarantees associated with the Zurich With Profit Fund. Any member invested in the Zurich With Profits Fund remains invested in the Zurich arrangement. The Trustee has however closed the arrangement to new contributions.

The Trustee's overall assessment of the core DC arrangement incorporated a detailed review of the quality of governance, investments, communications and administration versus the costs and charges paid, to assess whether the charges represent good value for members.

## **5. Trustee Knowledge and Understanding**

The law requires the Trustee board to have appropriate knowledge and understanding to properly run the Plan and ensure sufficient standards of governance and administration. For the reasons set out below, during the Plan year, the Trustee has met the requirements of sections 247 and 248 of the Pensions Act 2004 (requirements for trustee knowledge and understanding).

The Trustee has processes and procedures in place to meet the Pension Regulator's Trustee Knowledge and Understanding requirements, some of which are identified below:

- Providing a structured training programme for newly appointed Trustee Directors including completion of the Pension Regulator's Trustee toolkit, which is an online learning programme.
- Reviewing training needs annually as part of the business plan. Due consideration is given to the upcoming calendar of events recorded in the business plan and suggested relevant topics from advisors. The Administration and Governance Sub-Committee also review training needs at their Q4 meeting and agree a proposed training schedule for the following year.

- Undergoing regular training for the year, during this Plan year training covered regulatory guidance in relation to the COVID-19 pandemic; security of assets with respect to the DC arrangement; strategic objectives for investment consultants; Trustee Director duties, balance of powers and conflicts management.
- Maintaining training logs for each Trustee Director which supports the above.

The Trustee recognises the importance of training and development. Trustee Directors take personal responsibility for keeping themselves up-to-date with relevant developments. The combined knowledge and understanding of the Trustee board as described below, together with the advice that is available to it, enables the Trustee to properly exercise its functions as trustee of the Plan. For example:

- Trustee Directors attended a range of virtual conferences and seminars which covered topics such as investment governance and crisis resilience, market outlook following COVID-19, DC investing and ESG matters. The Trustee also received additional training from advisers through main board meeting and sub-committee meetings during the Plan year.
- The Trustee has engaged with its professional advisers regularly throughout the Plan year to ensure that it exercises its functions properly and takes professional advice where needed.
- The Trustee Directors are conversant with the Plan's key administrative documents, During the Plan year the Trustee updated the Statement of Investment Principles to account for the secondary default created by the property funds' closure. The Trustee also extended its policy on stewardship, cost transparency and arrangements with asset managers in line with regulatory requirements. The Trustee signed off on the Trustee Report and Accounts and reviewed the Trust Deed & Rules for decisions considering member specific events, for example, young spouse pension reduction.
- The Trustee board has appropriate knowledge of pensions and trust law and the relevant principles relating to scheme funding and investment of occupational pension schemes. In particular, the Trustee has:
  - taken advice on the law relating to pensions and trusts in considering action to be taken on suspension of the property funds;
  - reviewed quarterly administration reports to monitor service delivery against agreed service levels standards and assessing the member experience;
  - reviewed quarterly investment reports to assess fund performance against benchmarks, and funds against overall Plan aims and objectives, as set out in the Statement of Investment Principles;
  - maintained a regime for proper governance, including by reviewing and updating the Trustee governance framework for the DC Section of the Plan.
- The Trustee considered the impact of the COVID-19 pandemic on the Trustee board and put in place appropriate plans to ensure that the Trustee could continue to perform effectively during this time. Specifically, the Trustee extended the Plan risk register and implemented a specific COVID-19 section which considers the risks associated with the pandemic and action to be taken to mitigate these risks. The process of implementing the COVID-19 risk register included identifying key risks with actions to be taken to mitigate these risks to ensure business continuity and appropriate Plan governance during the pandemic. Each action was prioritised in terms of importance and complexity with timescales provided. The Trustee also moved to virtual meetings and held additional meetings as and when required to discuss specific incidents that occurred as direct result of the pandemic, for example, the suspension of the property funds.
- The Trustee board is made up of 8 Trustee Directors with varying skill sets. The Trustee board incorporates a range of skills and experience and a diverse mix of backgrounds, including representatives from finance and pensions management. There are currently five Employer-

Nominated Trustee Directors, two of which are independent Trustee Directors (who each hold the PMI Certificate in Trusteeship) and three Member-Nominated Trustee Directors, as well as a Trustee Secretary.

- In addition to the skills within the Trustee board, the Trustee works closely with their appointed professional advisers throughout the year to ensure that they continue to run the Plan and exercise their functions properly. Their professional advisers also attend Trustee meetings.
- On appointment, Trustee Directors are required to complete the Pension Regulator's Trustee toolkit training. Each new Trustee Director has a meeting with the Chair of the Trustee to discuss the role. No new Trustee Directors joined the board over the course of the Plan year.
- All eight Trustee Directors have completed the Pension Regulator's Trustee Training Toolkit.

Overall the Trustee believes it continued to meet the Pension Regulator's trustee knowledge and understanding requirements (as set out under the relevant Code of Practice) during the Plan year, and that the combined knowledge and understanding, together with advice received, enables the Trustee to properly exercise its function.